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Trade, multilateral cooperation and sustainable development

Note by the UNCTAD secretariat

Executive summary

Over several decades, a multilateral trading system has been developed that contributes significantly to improvements in living conditions worldwide. The system is important for economic, social and environmental development in both developed and developing countries and remains indispensable for the achievement of the 2030 Agenda for Sustainable Development and the Sustainable Development Goals. However, there are concerns with regard to the integrity of the system, as well as the prospects for sustained global trade growth and the achievement of a comprehensive development agenda. Policymakers should ensure that the benefits of trade are shared and that current cooperation in topical and regional areas serves as a building block for multilateral cooperation and global sustainable development.

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Introduction

1. In recent history, the number of people with access to certain medical services such as measles vaccinations has been at its highest and the share of the population that is undernourished and living in extreme poverty has been at its lowest.[1] Multilateral cooperation and trade have contributed significantly to these positive developments. Structural transformation and economic growth have been expedited in many countries by international trade and investment, and trade has provided access to a greater variety of services and goods, including pharmaceutical products. However, progress remains slow and, in many areas, limited. Intensified cooperation is thus urgently required, and the 2030 Agenda and its ambitious Goals set a universal agenda to improve living conditions for all. The global community has acknowledged the important role of trade; under the Goals, trade is identified as an enabler, and in the Addis Ababa Action Agenda of the Third International Conference on Financing for Development, Member States of the United Nations stated that "international trade is an engine for inclusive economic growth and poverty reduction, and contributes to the promotion of sustainable development".[2] Achieving the Goals requires a concerted and cooperative effort by all stakeholders.

2. International trade is explicitly mentioned under several Goals and targets and is linked to many other Goals. Coupled with appropriate complementary measures, trade allows access to foreign products, services and markets, enables economies of scale and generates employment. Trade enables a better use of productive resources and can support structural transformation that can trigger long-term economic development in both developed and developing countries. However, benefits are neither automatic nor equally distributed. Multilateral cooperation and trade, and globalization in general, have recently been critically considered in several countries. Trade-related tensions are rising, and it appears possible that they will reach a significantly damaging level. Realizing the benefits of trade for economically, socially and environmentally inclusive and sustainable development requires both national complementary policies and multilateral cooperation. Without policies for sharing prosperity, clear rules and appropriate regulations, trade may contribute to a lack of equality, social tensions and environmental degradation.

3. Global collective action through multilateral trade cooperation is essential to address cross-border challenges to development. Revitalizing a global partnership is critical for the implementation of the Goals, and the multilateral trading system continues to be the cornerstone of such a partnership. Many issues, such as agricultural and fisheries subsidies, can only be addressed in multilateral settings. Furthermore, a multilateral trading system, as the most efficient system that services all, is important to protect the most vulnerable, with little bargaining power, who are also often the ones most in need of progress.

I. Trends in international trade and development

4. Growing concerns about trade, along with global income and growth, have not yet been reflected in trade-related figures. Trade in both goods and services grew strongly in 2017, yet this positive development has not been strong enough to make significant steps towards achieving the targets under the Goals that are directly related to trade.

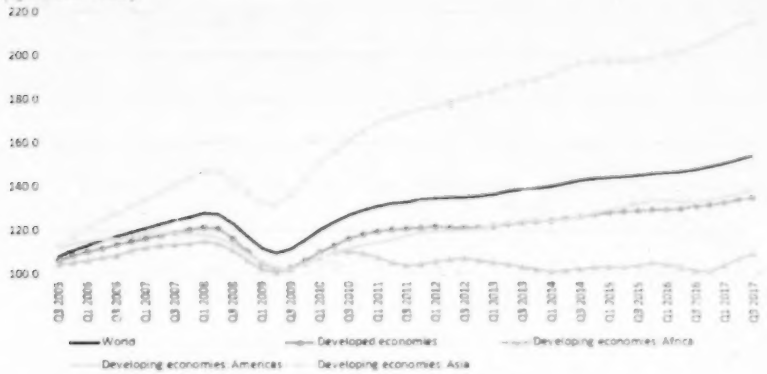
A. Trade in goods

5. After two consecutive years of decline, world trade partially recovered in 2017. A growth rate of nearly 11 per cent sharply reversed the declining trend and brought the value of world merchandise exports to $17.7 trillion. Nevertheless, the values for both developed and developing countries are still significantly below 2014 levels. Most of the decline in world trade in 2015 and 2016 was due to the fall in trade values driven by weakening commodity prices and exchange rate fluctuations. In 2016, the volume of world exports expanded by 1.2 per cent, yet this was the lowest rate since the global recession

[1] Based on data from the World Bank and the World Health Organization.
[2] A/RES/69/313.

(figure 1). The recovery in volume in 2017, at 4.4 per cent, was due to improvements in global economic growth of 2.5 and 3.1 per cent in 2016 and 2017, respectively.

Figure 1
Volume of exports, 2005–2017
(Q1 2005=100)



Source: UNCTAD secretariat calculations, based on UNCTADstat database.
Note: Four-quarter and centred moving average used to adjust for seasonality.
Abbreviation: Q, quarter.

6. Beyond positive short-term trade dynamics, long-term divergent export growth trends between developing countries have persisted. Since the recession, all regions, except developing countries in Asia, have not returned to pre-financial crisis export growth paths. Developing countries in Africa were affected the most and, after a brief recovery in 2010, their exports have not yet reverted to an upward trend. In 2011–2016, the gradual deterioration in prices, in particular of food, agricultural raw materials, minerals, ores and metals, kept external demand for the exports of many commodity-dependent economies weak.

7. The short-term outlook is expected to continue to improve in 2018 and 2019, with forecasted world output growth of 3.7 per cent in each year.[3] Upward revisions in the forecast are mainly in developed countries, due to strong wage growth, broadly favourable investment conditions and the positive effects of a fiscal stimulus package in the United States of America. Rising energy and metal prices are supporting recovery in commodity-exporting countries.

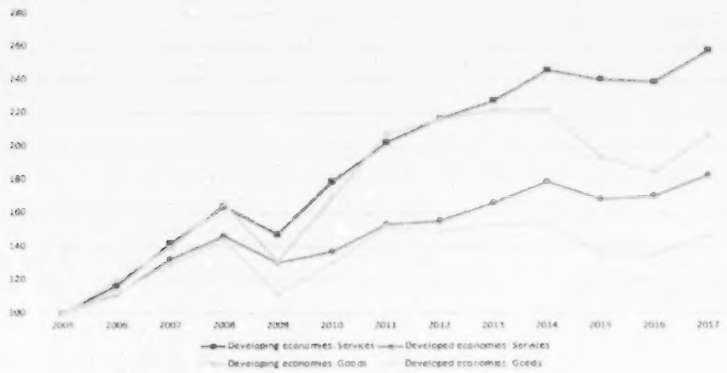
8. The current recovery is not necessarily shared by all global regions and there are significant risks. Growth in countries with economies in transition and countries in Southern and Central Africa, in particular, has been significantly below the world average. Moreover, heightened trade-related tensions between major economies, uncertainties regarding the pace of monetary policy in developed countries, geopolitical tensions and high and rising debt levels pose risks to the sustainability of the recovery process.

B. Trade in services

9. World trade in services reached $5.4 trillion in 2017, with a 7.8 per cent rebound from 2016. The recovery is registered in both developed and developing countries and assisted both to surpass pre-recession export values. Services trade continued to be resilient during both the global recession and the recent downturn in the value of world trade (figure 2). While world merchandise trade declined by 22.2 and 15.5 per cent during the global recession (2009) and the last trade downturn (2015 and 2016 cumulative), respectively, contractions in services were less than half the declines in merchandise trade (10.6 and 4.5 per cent, respectively).

[3] United Nations, 2018, *World Economic Situation and Prospects 2018* (United Nations publication, sales No. E.18.II.C.2, New York).

Figure 2
Value of goods and services exports, 2005–2017
(2005=100)



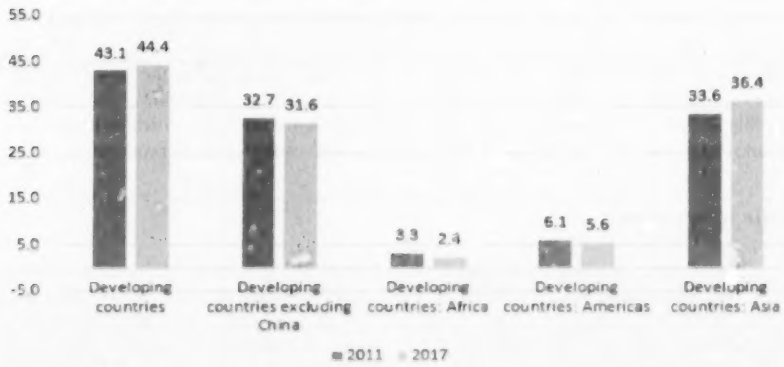
Source: UNCTAD secretariat calculations, based on UNCTADstat database.

C. Achieving trade-related Goals

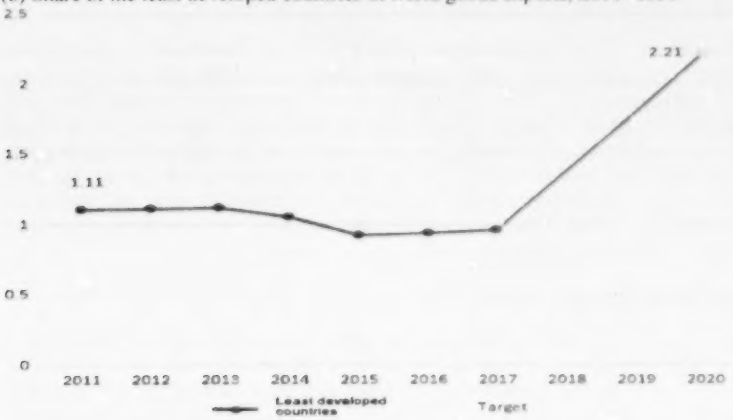
10. Achieving the Goals remains a challenge. Target 17.11, for example, requires significant increases in the exports of developing countries. However, little progress has been made in raising the share of these countries in world merchandise exports since 2011. The share increased from 43.1 to 44.4 per cent, yet most of the improvement is driven by exporters in Asia, in particular China. If China is excluded, the figures do not show an improvement but rather a decline in the share. The second element of target 17.11 is to double the least developed countries' share of global exports by 2020. However, the merchandise export share of these countries has not only remained significantly below the 2.21 per cent target but has also fallen below the share in the often-used benchmark year of 2011 (figure 3).

Figure 3
Progress in achieving target 17.11
(Percentage)

(a) Share of developing countries in world goods exports, 2011 and 2017



(b) Share of the least developed countries in world goods exports, 2011–2017



Source: UNCTAD secretariat calculations, based on UNCTADstat database.

11. Slow progress towards achieving target 17.11 is also seen with regard to trade in services. The share of developing countries has increased in the last six years, from 28.1 to 29.5 per cent. Similarly, the least developed countries' share in world services exports increased from 0.68 to 0.73 per cent, that is, only 7 per cent of the target to double exports.

12. Structural challenges and a lack of productive capacity hinder the achievement of the Goals. Commodity-dependent least developed countries are vulnerable to external price and demand shocks and need to implement policies that facilitate structural transformation and build domestic productive capacities. Access to markets continue to pose a barrier to increasing the least developed countries' exports. Moreover, issues related to connectivity, trade facilitation and non-tariff measures pose greater obstacles to exports than tariffs, which are often low, in particular for the least developed countries. In this regard, a strengthened global partnership, along with coherence between different policy areas and institution-building at the national level are needed.[4]

D. South–South trade

13. Merchandise trade between developing countries, both exports and imports, increased considerably, in particular in the 2000s. As at 2017, it was about 25 per cent of world trade. Most of the increase has been due to China; if China is excluded from the figures, South–South trade falls to 19 per cent. Intraregional trade between developing countries accounts for a relatively small share of their total trade, except for developing countries in Asia, whose share is about 53 per cent. The shares of developing countries in Africa and the Americas are 14.1 and 16.4 per cent, respectively, and the share of the least developed countries is less than 4 per cent. However, intraregional trade between developing countries may be said to have greater sophistication than trade with developed regions, as it provides opportunities for product diversification and domestic capacity-building in manufacturing, in particular in medium and high-level technology-intensive products. For example, the latter account for 17.3 per cent of exports between the least developed countries, but only 4 per cent of exports destined to other countries. Similarly, manufacturing products account for 17.9 per cent of exports between the least developed countries and for only 13.1 per cent of exports destined to other countries.

[4] UNCTAD, 2016, How to ensure the continued participation of least developed countries in the multilateral trading system? 3 February. Available at http://unctad.org/en/pages/newsdetails.aspx?OriginalVersionID=1196.
Note: All websites referred to in footnotes were accessed in August 2018.

II. Cooperation in trade and the Goals

14. International trade can contribute positively to all dimensions of sustainable development, economic, social and environmental. However, this contribution is not automatic. Trade rules and policies provide an overall framework and create economic incentives to which economic actors respond. Policies need to be designed in such a way as to ensure that trade strengthens and does not harm sustainable development. In addition to emphasizing trade and trade policies as a means of implementation of the Goals, the 2030 Agenda also represents a strong commitment to multilateralism in trade, and States are "strongly urged to refrain from promulgating and applying any unilateral economic, financial or trade measures not in accordance with international law".[5]

2.1 Trade as a means of implementation

15. Several Goals and targets related to all three dimensions explicitly refer to trade as a means of implementation, serving as a guide to harnessing trade for sustainable development (table 1). The contribution of trade and trade policies to the economic dimension of sustainable development is highlighted under Goals 8, 10 and 17, including a focus on measures to support the successful integration of developing countries and the least developed countries into the world trading system. The contribution of trade and trade policies to the social dimension is highlighted under Goals 2 and 3, under which the contribution of trade to sustainable development is not automatic but depends on the design of appropriate policies. For example, international trade can help address hunger and malnutrition in various ways, including by increasing access to a more varied diet and compensating for crop losses after bad harvests. However, market distortions can create vulnerabilities and aggravate hunger, an issue addressed in target 2.b. Trade enables more people to have access to live-saving medicines, yet trade rules can constrain national abilities to progress towards the Goals, an issue addressed under Goal 3. The contribution of trade and trade policies to the environmental dimension is highlighted under Goal 14. For example, trade rules can contribute to incentivizing more sustainable fishing practices, an issue addressed under target 14.6.

2.2 Other links to trade under the Goals

16. The Goals and targets discussed above address trade as a means of implementation, yet its importance and potential contribution to sustainable development goes beyond those matters to which the targets directly refer. For example, trade can contribute to poverty reduction (Goal 1) and gender equality (Goal 5) by creating jobs and business opportunities for women in the export sector, thereby contributing to their economic and social empowerment. Furthermore, many direct linkages can be drawn between sustainable development and the increased use of non-tariff measures in trade. A growing majority of such measures include sanitary and phytosanitary measures and technical barriers to trade, whose objectives are to protect human, animal and plant life and other aspects of the environment. Such measures directly regulate aspects of issues addressed under the Goals, such as food, nutrition and health (Goals 2 and 3); sustainable energy (Goal 7); sustainable production and consumption (Goal 12); combating climate change (Goal 13); and protecting ecosystems (Goal 15). For instance, many non-tariff measures enable countries to regulate the production and imports of products that cause environmental damage and others seek to protect human health from risks arising from additives, contaminants, toxins or disease-causing organisms in food and drinks. Such measures have positive implications worldwide.

Table 1
Trade as a means of implementation in the 2030 Agenda

Economic dimension: Direct references to trade	
Target 8.a	Increase Aid for Trade support for developing countries, in particular the

[5] A/RES/70/1.

	least developed countries
Target 10.a	Implement the principle of special and differential treatment for developing countries, in particular least developed countries, in accordance with World Trade Organization agreements
Target 17.10	Promote a universal, rules-based, open, non-discriminatory and equitable multilateral trading system under the World Trade Organization, including through the conclusion of negotiations under its Doha Development Agenda
Target 17.11	Significantly increase the exports of developing countries, in particular with a view to doubling the least developed countries' share of global exports by 2020
Target 17.12	Realize timely implementation of duty-free and quota-free market access on a lasting basis for all least developed countries

Economic dimension: Examples of other links to trade

Goal 1	Trade provides opportunities for income generation and can reduce the prices of food and consumption goods, thereby helping to reduce poverty
Goal 8	Trade can help create jobs and improve wages and working conditions

Social dimension: Direct references to trade

Target 2.b	Correct and prevent trade restrictions and distortions in world agricultural markets, including through the parallel elimination of all forms of agricultural export subsidies... in accordance with the mandate of the Doha Development Round
Target 3.b	Support the research and development of vaccines and medicines for the communicable and non-communicable diseases that primarily affect developing countries, provide access to affordable essential medicines and vaccines, in accordance with the Doha Declaration on the [Agreement on Trade-Related Aspects of Intellectual Property Rights] and Public Health... and, in particular, provide access to medicines for all

Social dimension: Examples of other links to trade

Goal 5	Trade can provide employment and income-earning opportunities for women, contributing to their empowerment
Goal 16	Binding commitments under trade agreements can contribute to developing effective, accountable and transparent institutions

Environmental dimension: Direct references to trade

Target 14.6	By 2020, prohibit certain forms of fisheries subsidies which contribute to overcapacity and overfishing... recognizing that appropriate and effective special and differential treatment for developing and least developed countries should be an integral part of the World Trade Organization fisheries subsidies negotiation

Environmental dimension: Examples of other links to trade

Goal 12	Non-tariff measures can regulate production and prohibit and/or control the imports of products that cause environmental damage

Goal 13	Non-tariff measures can regulate production and trade with regard to carbon emissions, in line with the United Nations Framework Convention on Climate Change and its Kyoto Protocol

Source: A/RES/70/1.

2.3 Global responses to sustainable development issues: Tracking success in the trade community

17. At a multilateral level, the trade community has made many attempts to ensure that development is sustainable. Through various trade regulating and facilitating measures, the global trade community has collectively negotiated outcomes that have positive implications for sustainable development and some of these multilateral successes are highlighted in this section. UNCTAD notes that much more needs to be done.

Trade facilitation reform and the Automated System for Customs Data

18. The Agreement on Trade Facilitation of the World Trade Organization entered into force in February 2017, ratified by 137 countries, and has the objectives of expediting cross-border trade, improving transparency, increasing possibilities for participation in global value chains and reducing scope for corruption. The Agreement could reduce average trade costs by up to 14.3 per cent and boost global trade by up to $1 trillion per year, with noticeable impacts on the poorest countries. Considered to be a landmark multilateral effort, the Agreement is linked to achieving, in particular, Goal 16 on promoting peaceful and inclusive societies for sustainable development, providing access to justice for all and building effective, accountable and inclusive institutions at all levels; and Goal 17 on strengthening the means of implementation and revitalizing the Global Partnership for Sustainable Development.

19. UNCTAD has worked to promote trade facilitation reform since the 1980s. For example, UNCTAD has promoted the establishment of national trade facilitation committees, a public–private-partnership mechanism that could encompass all relevant stakeholder organizations at the national level, to promote and assist the implementation of trade facilitation reforms. The establishment of such a committee is an obligation under the Agreement on Trade Facilitation. To date, UNCTAD has assisted over 50 countries in establishing and operating such a committee, mainly through the UNCTAD Empowerment Programme, a capacity-building programme for stakeholders on such committees. In addition, the UNCTAD computerized customs management system, the Automated System for Customs Data, has helped expedite customs clearance and minimize administrative costs in over 90 countries by assisting developing countries to modernize their customs operations, reduce transaction times and costs, streamline procedures and enhance the transparency of transactions (table 2). Finally, the UNCTAD eRegistrations system provides countries with a solution for fulfilling the obligation under the Agreement on transparency through assistance with establishing trade information portals.

Table 2
Examples of recent success stories in the use of the Automated System for Customs Data

Afghanistan	Reduction of unaccounted cargo from 90 to 2 per cent
Fiji, Papua New Guinea, Samoa, Solomon Islands and Vanuatu	Number of customs clearance steps reduced from 35 to 10
Jamaica	Clearance of 70 per cent of commercial imports in less than 24 hours
Rwanda	Over a three-year period, average time to clear imports reduced from 11 days to 34 hours and average time to clear exports reduced from 3 days to 34 hours; over one year, average cost of clearance reduced from $35 to $5

Source: UNCTAD secretariat.

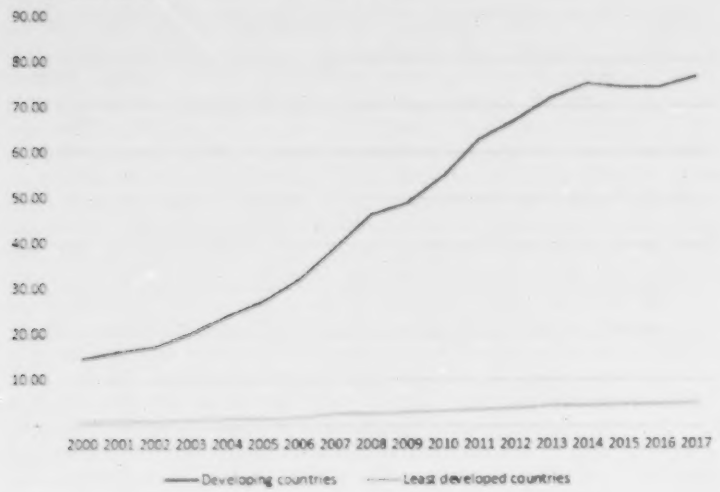
Generalized system of preferences and duty-free and quota-free market access

20. The generalized system of preferences was established by UNCTAD with the objective of creating a favourable trading environment for developing countries and the least developed countries by assisting them to improve export earnings, promote industrialization and accelerate economic growth. Under the system, selected products originating in developing countries are granted reduced or zero tariff rates. The least developed countries receive special and preferential treatment for a wider coverage of products and greater tariff reductions. In addition, the global system of trade preferences among developing countries was established to extend the provisions of the generalized system to trade between developing countries, and has helped to strengthen South–South collaboration. Trade between developing economies more than doubled in 1995–2016, and developed countries have been importing more from developing countries compared with the previous decade. Such integration has not only helped to bolster sustainable growth and reduce poverty, hunger and the lack of income equality in developing countries, but has also benefited both firms and consumers in more advanced countries by providing access to new markets and lowering prices for consumers and of intermediate goods. In addition, in 2005, members of the World Trade Organization agreed to implement duty-free and quota-free market access for products originating from the least developed countries. Since then, nearly all developed country members and several developing country members have provided either full or nearly full duty-free and quota-free market access to products from the least developed countries.

Doha Declaration on the Agreement on Trade-Related Aspects of Intellectual Property Rights and Public Health

21. This Declaration was adopted by the World Trade Organization in 2001, acknowledging the importance of extending a waiver on pharmaceuticals to developing countries and the least developed countries. The Agreement, which entered into force in 1995, had originally made it difficult for such countries to purchase and distribute patented medicines, such as for treating HIV/AIDS and malaria. The Declaration affirmed the flexibility of article 31 under the Agreement on circumventing patent rights and allowing for easier access to medicines. The waiver was first applied in 2007, when Rwanda notified the World Trade Organization of its intention to import an HIV/AIDS medication from Canada. Canada issued a compulsory license allowing a Canadian pharmaceuticals company to use nine patented inventions to manufacture the medicine and export it to Rwanda, thereby lowering the cost to $0.20 per tablet compared with the cost for brand-name equivalents of $6. Imports of medicines by developing countries and the least developed countries have increased considerably since the adoption of the Declaration (figure 4). At the eleventh Ministerial Conference of the World Trade Organization in 2017, a protocol amending the Agreement to provide additional flexibilities to grant special compulsory licences for the export of medicines was ratified by two thirds of the members, thereby allowing for exports of generic medicines to countries with limited pharmaceutical production capacity at reasonable prices. Such multilateral support is linked to the achievement of target 3.8 on achieving universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all.

Figure 4
Imports of medicines, including veterinary medicines, 2000–2017
(Billions of dollars)



Source: UNCTAD secretariat calculations, based on UNCTADstat database.

Convention on International Trade in Endangered Species of Wild Fauna and Flora

22. This Convention entered into force in 1975 and currently has 183 States Parties.[6] The Convention, aimed at regulating international trade in certain wild animal and plant species, was one of the earliest multilateral environmental agreements to make extensive use of trade-related measures to achieve its goals. The Convention aims to enhance international cooperation to safeguard certain species from overexploitation. Such multilateral cooperation is linked to the achievement of target 15.7 on taking urgent action to end poaching and trafficking of protected species of flora and fauna. The Convention has had positive implications for both developed and developing countries. The partnership of UNCTAD with the Convention secretariat under the Biotrade initiative aims to enhance the conservation of species listed in the Convention to help improve the livelihoods of poor people in remote and marginal areas who harvest and trade these species and to promote opportunities for businesses that comply with the requirements of the Convention and national legislation. Developing countries in Africa, Asia and Latin America, as well as companies in developed countries such as France, Germany, Italy, Switzerland and the United Kingdom of Great Britain and Northern Ireland are implementing biotrade.[7] Further, many developed countries are reaping environmental benefits through imports of ecofriendly products from developing countries that implement biotrade.

23. Finally, as at 2017, there were 12,000 signatories, in more than 160 countries, of the United Nations Global Compact, committing to, among others, greater environmental responsibility.

III. Achieving specific Goals: Areas of focus for multilateral cooperation initiatives

24. The rules-based, open multilateral trading system is widely seen as a driver of global economic growth and rising average per capita incomes since 1947. The system ensured the decrease, for example, of average tariffs in Japan, the United States and Europe, from 22

[6] See www.cites.org/eng/disc/parties/index.php.

[7] UNCTAD, 2017, *20 Years of Biotrade: Connecting People, the Planet and Markets* (United Nations publication, Geneva).

per cent in 1947 to around 3 per cent in 2000, and the level remains roughly the same at present, providing both developed and developing countries with opportunities for market access. However, the multilateral trading system currently faces some specific concerns. For example, concerns have been raised with regard to wage gaps, yet skill-biased technical change has been identified as contributing more than trade to rising wage gaps between different skills groups in countries.[8] Other concerns, notably with regard to adjustment costs and the distributional effects of trade, as well as the ability to pursue national policy goals, involve important questions for the design of the multilateral trading system and national supporting policies. Further, concerns relate to the remit of the system to address behind-the-border regulatory issues, a reflection of the increasing fragmentation of production in global value chains. Three factors that may undermine the multilateral trading system, with consequences for both developed and developing countries, are addressed in this section.

3.1 Increasing use of protectionist measures

25. Protectionist measures have been increasing since the financial crisis, in particular in recent months, for example with regard to the escalation of tariffs between China and the United States, which have both imposed tariffs on goods worth tens of billions of dollars. China notes that its tariffs are in response to United States tariff increases and the United States notes that its tariffs are in response to issues related to intellectual property rights and industrial policy. The implications are far-reaching.

26 First, tariff escalations undermine market access conditions for each targeted country. UNCTAD research suggests that a potential escalation and disregard of the rules-based framework under the World Trade Organization would affect poor and trade-dependent countries the most. If countries exploited tariff schedules based on market power rather than agreed schedules, average tariffs could rise from 3 to 30 per cent for exporters from the United States and 35 and 40 per cent for exporters from the European Union and China, respectively. However, these figures are low compared with those for other developing countries, which could face tariffs of above 50 per cent. The research suggests that average tariffs would be significant in particular for exporters from countries in South and Central America and some countries in sub-Saharan Africa.[9] Setting tariffs based on market power could therefore result in tariff increases greater than any in recent history, putting all and in particular the weakest at risk of worsening market access, and having a significant impact on the goal of doubling the least developed countries' share of global exports by 2020. Moreover, it could compromise the fragile economic recovery achieved since the global financial crisis, thereby undercutting growth and development worldwide and limiting the extent to which trade could be used to advance other goals.

27. Second, the use of non-tariff measures is increasing, as noted by various sources, including the World Trade Organization in its report on Group of 20 trade measures in October 2015–May 2016, which highlighted that the rate of new trade-restrictive measures implemented by Group of 20 economies had reached the highest monthly average since 2009, outnumbering measures aimed at facilitating trade.[10] Similarly, based on a broader definition of protectionist measures, research by an independent trade policy monitoring initiative shows that the stock of trade barriers in force has been steadily on the rise.[11] Given the growing dominance of non-tariff protection over tariff protection, policymakers need to pay close attention to non-tariff measures.

3.2 Policy uncertainty that detains investment

28. Continuing policy uncertainty is driven by waning political and popular support for trade integration between some States as well as by course correction, setbacks and renegotiations of existing and proposed trading arrangements, including the withdrawal of the United States from the Trans-Pacific Partnership, the decision of the United Kingdom to withdraw from the European Union and setbacks in the negotiations of the North American Free Trade Agreement and for the Transatlantic Trade and Investment Partnership.

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[8] J Zeira, 2007, Wage inequality, technology, and trade, *Journal of Economic Theory*, 137(1):79–103.

[9] UNCTAD, 2018, Nobody really wins a "trade war", 25 April. Available at http://unctad.org/en/pages/newsdetails.aspx?OriginalVersionID=1740.

[10] See https://www.wto.org/english/news_e/news16_e/trdev_21jun16_e.htm.

[11] Global Trade Alert, Global dynamics, available at www.globaltradealert.org/global_dynamics.

29. Policy uncertainty is compounded by a potential issue with regard to a significant component of the World Trade Organization dispute settlement mechanism, which serves as the guarantor of effective enforcement of World Trade Organization rules and disciplines. The appointment of judges to the Appellate Body is currently blocked and, if this issue is not resolved, there will be fewer judges than the legally required threshold.

30. Tariff escalation in the form of rounds of retaliatory measures could undermine international cooperation in other areas related to sustainable development. Current trade-related frictions are diverting attention from the multilateral efforts necessary to achieve the Goals. A recent study by the World Bank analyses the possible impacts of tariff escalation and waning investor confidence on trade and welfare patterns, stating that new tariffs would depress bilateral trade, disrupt global supply chains and increase demand for substitutes from developing countries. In particular, if China and the United States imposed tariffs on all products traded between them, global exports could decline by 1.2 per cent and global income by 0.3 per cent. However, the greatest effect of tariff escalation on developing countries could be from depressed investment; if firms delay investment decisions, reflecting uncertainty over market access, global exports may decline by up to 3 per cent and global income by up to 1.7 per cent.[12]

3.3 Secondary effects that can create winners and losers

31. Increased trade-related tensions could cause secondary effects. First, market distortions may change the geography of global value chains, producing winners and losers, and exporters of intermediate products in developing countries could face difficult choices with regard to maintaining or changing downstream customer relationships abroad. Second, high tariffs levied on some products by large importers may lead to a surplus in world markets that may lead, in turn, to import surges in other countries. Such changes could affect domestic producers and exporters in many economies. The overall impact on welfare is uncertain, yet countries may increase tariffs to safeguard domestic industries. For example, as two thirds of United States imports from China are linked to global value chains, economies in East Asia that are integrated into these chains as intermediate input providers could be affected by lower demand; Taiwan Province of China could be the most affected, followed by Malaysia, the Republic of Korea, Hong Kong (China) and Singapore.[13] Countries levying tariffs on some trading partners are likely to import more from other countries; for example, some developing countries could benefit by supplying agricultural products to China to substitute for a lower volume of imports from the United States.

IV. Overcoming challenges

32. Revitalizing the global trade partnership is critical to achieving the Sustainable Development Goals, and a universal, rules-based, open, non-discriminatory and equitable multilateral trading system continues to be the cornerstone of such a partnership. To ease current trade-related tensions, proposals have been made to reform the World Trade Organization. Concerns were raised during the eleventh Ministerial Conference with regard to unfair competitive conditions,[14] and the risk of an unstable system has led some members to consider revisiting some of the World Trade Organization rules. For example, in June 2018, China and the European Union agreed to set up a working group to cooperate on World Trade Organization reform.[15] However, given the complexity of the issues, such reform efforts are not likely to be effective in the short to medium terms. Yet many countries see the need to undertake all efforts to support a rules-based international trading

[12] World Bank, 2018, Impacts on global trade and income of current trade disputes, Macroeconomics, trade and investment practice notes No. 2, available at http://documents.worldbank.org/curated/en/685941532023153019/Impacts-on-Global-Trade-and-Income-of-Current-Trade-Disputes.

[13] UNCTAD secretariat calculations, based on the Organization for Economic Cooperation and Development trade in value added database, available at www.oecd.org/sti/ind/measuring-trade-in-value-added.htm.

[14] See https://ustr.gov/about-us/policy-offices/press-office/press-releases/2017/december/joint-statement-united-states.

[15] See http://trade.ec.europa.eu/doclib/press/index.cfm?id=1873.

system. Multilateral cooperation to achieve the Goals is required in many areas, as addressed in this chapter.

4.1 Challenges requiring collaboration

An effective World Trade Organization

33. Insufficient progress in multilateral trade negotiations under the Doha Round, and the recognition in the 2015 Ministerial Declaration that members had different views on how to address the negotiations, may affect the centrality of the multilateral trading system. However, a set of ministerial decisions was adopted at the eleventh Ministerial Conference on some issues, including, notably, a commitment to continue to engage constructively on fisheries subsidies negotiations. Three groups of countries announced new initiatives to advance talks on the issues of electronic commerce, investment facilitation and microenterprises and small and medium-sized enterprises. These initiatives were welcomed by some members of the World Trade Organization as representing a promising new way forward, namely smaller groups of interested countries negotiating plurilateral agreements and specific contemporary issues. Others, however, expressed concerns that such an approach might run counter to the core World Trade Organization principles of multilateralism and consensus-based decision-making. In addition, under the Doha Round, specific mandates had not been agreed on these topics and there remained outstanding issues, such as agricultural subsidies. The eleventh Ministerial Conference did not strengthen the multilateral trading system and the development agenda underpinning the Doha Round.[16] However, the World Trade Organization remains indispensible in achieving Goal 17, in particular target 17.10.

Fisheries subsidies

34. Estimates indicate that about one third of global fish stocks are at biologically unsustainable levels.[17] Fisheries subsidies, such as fuel subsidies, facilitate overfishing. Fish and seafood are one of the most-traded global food commodities, with some 38 per cent of world production entering international trade; fishing provides some 200 million jobs and seafood provides 17 per cent of animal protein consumed worldwide.[18] Negotiations on fisheries subsidies at the World Trade Organization were launched in 2001, with a mandate to clarify and improve existing disciplines. Under the 2030 Agenda, target 14.6 aims to, by 2020, prohibit certain forms of fisheries subsidies which contribute to overcapacity and overfishing, eliminate subsidies that contribute to illegal, unreported and unregulated fishing and refrain from introducing new such subsidies. The eleventh Ministerial Conference resulted in the commitment to continue negotiations, with a view to adopting an agreement on comprehensive and effective disciplines by the twelfth Ministerial Conference in 2019, that is, directly before the deadline set in target 14.6. Other multilateral approaches aim to contribute to consensus-building and sustainable fisheries. For example, in 2016, UNCTAD, the Food and Agriculture Organization of the United Nations and the United Nations Environment Programme proposed a joint road map on ending subsidies and will continue to support countries in building consensus on fisheries subsidies.

Gender equality

35. Trade continues to play a key role in providing employment opportunities for women. Many developing countries have created jobs for women in labour-intensive export-oriented manufacturing sectors. Earning an income can enhance women's status in families and communities. Furthermore, tourism, one of the core sources of growth and foreign exchange in many developing countries, is a sector that employs many women. A lack of gender equality remains a significant challenge, however. Wages and work conditions are often less advantageous for women and the available job types are often not

[16] See www.wto.org/english/news_e/spra_e/spra209_e.htm.

[17] UNCTAD, 2018, World Trade Organization fisheries subsidies negotiations: Down but not out, 17 July, available at http://unctad.org/en/pages/newsdetails.aspx?OriginalVersionID=1816.

[18] UNCTAD, 2018, 90 [per cent] of fish stocks are used up – fisheries subsidies must stop, 13 July, available at http://unctad.org/en/pages/newsdetails.aspx?OriginalVersionID=1812; UNCTAD, 2018, From fish to dish – securing a sustainable future for the fisheries sector, 17 July, available at http://unctad.org/en/pages/newsdetails.aspx?OriginalVersionID=1815.

empowering. For example, UNCTAD has noted that regional integration in East Africa and overall integration into world markets has led to an increase in women's employment in traditional blue-collar categories but not to greater employment opportunities for women in white-collar categories featuring higher levels of responsibility and salary.[19] Efforts are ongoing at the multilateral level to link trade policy with gender equality and women's economic empowerment. At the eleventh Ministerial Conference, 118 World Trade Organization members and observers endorsed a joint declaration on women and trade that seeks to foster women's economic empowerment, increase the participation of women in trade and generate more and better paid jobs for women. The declaration reaffirms the link between gender and trade and emphasizes the role of trade and multilateral cooperation in this area. The declaration, related policy debates and the efforts of intergovernmental organizations to provide analysis and data supporting gender-based policymaking are all areas that require cooperation. The benefits can be shared by all.

4.2 Positive examples of cooperation

36. Several other cooperation efforts, mostly at the regional level, have recently been successfully concluded or are ongoing.

African Continental Free Trade Area

37. In March 2018, 44 of 55 members of the African Union signed the agreement to establish the African Continental Free Trade Area, along with the Protocol on Trade in Goods and the Protocol on Trade in Services. This was a significant step in favour of trade and the integration of the continent, and can help to strengthen the multilateral trading system, which often depends on the support of strong players. A better integrated and strengthened African continent, with a population of 1.2 billion and aggregated gross domestic product of $2.1 trillion, could become a building block for multilateral cooperation.[20] Various studies and UNCTAD research suggest that Africa has significant potential that can be untapped by promoting regional integration.[21] Intraregional trade has been an engine of export growth in Africa and helped to stabilize export revenue during the global recession (figures 5 and 6). In addition, intra-African trade may be said to have greater sophistication, as it has greater manufacturing and medium-level and high-level technology content, as well as greater product diversity than exports destined beyond Africa. This makes intra-African trade less volatile and susceptible to commodity price shocks and can, jointly with complementary development policies, facilitate structural transformation and the building of productive capacities. The aim is to construct the African Continental Free Trade Area on the principles of substantial liberalization, flexibility for sensitive products, special treatment for the least developed countries and building on accomplishments to date, in particular under the regional economic communities in Africa. UNCTAD research estimates that intra-African trade may increase by 33 per cent and total employment and gross domestic product, by around 1 per cent.[22]

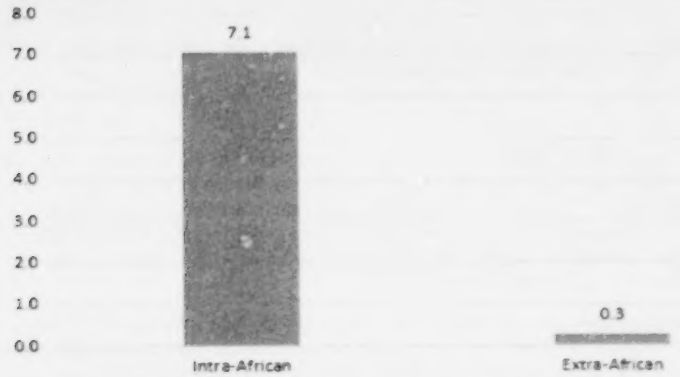
[19] UNCTAD, 2018, *East African Community Regional Integration: Trade and Gender Implications* (United Nations publication, Geneva).

[20] UNCTAD secretariat calculations, based on the UNCTADstat database.

[21] UNCTAD, 2018, African Continental Free Trade Area: Challenges and opportunities of tariff reductions, UNCTAD Research Paper No. 15.

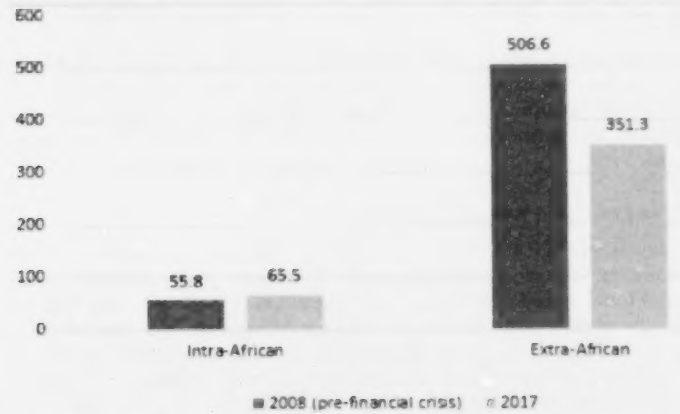
[22] Ibid.

Figure 5
Average growth rate of merchandise exports from Africa by destination, 2005–2017
(Percentage)



Source: UNCTAD secretariat calculations, based on UNCTADstat database.

Figure 6
Merchandise exports from Africa, 2008 and 2017
(Billions of dollars)



Source: UNCTAD secretariat calculations, based on UNCTADstat database.

Trans-Pacific Partnership

38. In March 2018, 11 developed and developing countries bordering the Pacific Ocean, namely Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Viet Nam signed the Comprehensive and Progressive Agreement for Trans-Pacific Partnership. This far-reaching regional trade agreement reduces tariffs and also requires members to comply with a number of regulatory standards in areas such as labour laws, electronic commerce and environmental protection. The Agreement is the successor to the Trans-Pacific Partnership signed in 2016 by these countries and the United States, which did not enter into force as a result of the withdrawal of the United States. A series of provisions in the Trans-Pacific Partnership, many of which addressed intellectual property, were suspended in the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, which included new articles that mainly related to ratification, withdrawal and accession. The Trans-Pacific Partnership would have covered 36 per cent of global gross domestic product; the Agreement covers a population of approximately 500 million people and over 13 per cent of global gross domestic product. Several

signatories have stressed that the Agreement is an indicator of cooperation and openness.[23] Recent research has shown that harmonizing non-tariff measures over a 10-year period from 2020 could have positive overall impacts on members of the Agreement; even modest scenarios of regulatory convergence in which none of the countries increase or decrease the use of non-tariff measures show gains for each country, and real gross domestic product could expand overall, with strong expansions in Singapore and Viet Nam.[24]

Other agreements

39. In the same region, and with a significant overlap in membership with the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, negotiations on a Regional Comprehensive Economic Partnership agreement are ongoing between the 10 members of the Association of Southeast Asian Nations (ASEAN) and Australia, China, India, Japan, New Zealand and the Republic of Korea. The scope of this agreement may not be as extensive as the Trans-Pacific Partnership.

40. Ongoing and deepening cooperation in some existing trade agreements is seen in ASEAN, for example, which continues to reduce or eliminate at-the-border and behind-the-border regulatory barriers that hinder trade, to achieve the competitive, efficient and seamless movement of goods within the region. Most tariffs have been eliminated, and trade protection and compliance costs related to non-tariff measures are being minimized, which involves enhancing transparency; accelerating work towards the full elimination of non-tariff barriers; ensuring equivalence in technical regulations, standards harmonization, alignment with international standards and mutual recognition arrangements; and streamlining procedures and reducing requirements for certificates, permits and licences to import or export.

41. The twelfth meeting of the ASEAN Trade Facilitation Joint Consultative Committee decided to use non-tariff measures data for national and ASEAN trade repositories collected by UNCTAD and the Economic Research Institute for ASEAN and East Asia.[25] The repositories aim to provide regulatory transparency and certainty for the private sector in the region.

Microenterprises and small and medium-sized enterprises

42. Transparency is also a major objective of the new informal microenterprises and small and medium-sized enterprises group, created following a joint statement at the eleventh Ministerial Conference by 87 World Trade Organization members accounting for around 78 per cent of world exports. Other objectives are to improve, inter alia, access to information for such enterprises, ways to promote a more predictable regulatory environment for such enterprises and ways to reduce trade costs. In addition at the eleventh Ministerial Conference, the International Trade Centre, UNCTAD and the World Trade Organization launched the Global Trade Helpdesk portal, aimed at providing easily accessible information to microenterprises and small and medium-sized enterprises on trade and trade-related regulation data and at enhancing transparency by combining information on World Trade Organization notifications, tariffs and rules of origin requirements for preferential access, taxes and non-tariff measures, including sanitary and phytosanitary measures and technical barriers to trade.

Electronic commerce

43. At the eleventh Ministerial Conference, 71 members agreed to initiate exploratory work towards future World Trade Organization negotiations on trade-related aspects of electronic commerce, with participation open to all members. The group recognized the particular opportunities and challenges faced in developing countries, in particular the least developed countries, as well as by microenterprises and small and medium-sized

[23] See https://foreignminister.gov.au/transcripts/Pages/2018/jb_tr_180219a.aspx.

[24] A Strutt, C Knebel, R Peters and T Walmsley, 2018, Modelling the harmonizing of non-tariff measures: An application to goods trade in the Trans-Pacific Partnership region, Global Trade Analysis Project Resource No. 5561, available at https://www.gtap.agecon.purdue.edu/resources/res_display.asp?RecordID=5561.

[25] See http://asean.org/storage/2012/05/AEC-2025-Trade-Facilitation-SAP-FINAL-rev.pdf.

enterprises. UNCTAD research suggests that the growing digital economy may be transformational and challenge the ability of Governments, businesses and people to adapt.[26] As both enterprises and consumers increasingly buy goods and services online, sellers without an online presence can become increasingly invisible in the market. Trade is profoundly affected by digitalization, including through the increased tradability of services, the fragmentation of production and trade in tasks, automation, three-dimensional printing and a reliance on digital platforms. Most of the $26 trillion worth of global electronic commerce sales take place in developed economies and less than 2 per cent of the population in the least developed countries shop online.[27] In 2016, UNCTAD launched the eTrade for all initiative, to ensure that current digital divides do not result in widening income inequalities. This partnership is a collaborative effort to scale up cooperation, transparency and aid efficiency in the field of inclusive electronic commerce. It aims to address existing knowledge gaps and maximize synergies with partners by connecting and promoting collaboration between beneficiary countries, partners and donors.

V. Conclusions

44. Trade is an integral part of sustainable economic, social and environmental development. International trade can contribute to and in many instances is necessary to achieve the Sustainable Development Goals. Trade is not zero sum, but rather leads to increased gains in order to benefit all, and has benefited both developed and developing countries. However, it is widely recognized that the benefits of trade integration have not been evenly distributed between and within countries and have often been concentrated on a few actors. Adverse effects on inclusiveness and social and environmental dimensions have often not been appropriately addressed. Such uneven outcomes may be at the root of recent scepticism with regard to the benefits of globalization and trade and the resurgence of nationalist sentiment and policies. Trade has also often been identified as the origin of problems. Action is therefore needed at the national, regional and multilateral levels to sustain and strengthen the contribution of trade to sustainable and inclusive development.

45. Delegates at the tenth session of the Trade and Development Commission may wish to consider the following issues:

(a) Complementary policies are required to share the benefits from trade and globalization. Labour-market and social policies should ensure that adjustment costs are mitigated and prosperity inclusive. Structural and macroeconomic policies should maximize potential economic benefits and mandatory regulations to prevent environmental degradation. Policymakers should be supported by analysis that takes into consideration distribution effects and externalities and proposes measures to address them;

(b) It is important in analysis as well as in rhetoric to distinguish between effects from trade and other factors such as technological change;

(c) Trade can have the greatest positive effect on achieving the Goals if it is non-discriminatory. The 2030 Agenda promotes a universal, rules-based, open, non-discriminatory and equitable multilateral trading system. Actions that may undermine such a system should be avoided, and perceived or real threats to the system should be met with caution, in order to prevent a worsening reciprocal situation. Efforts to strengthen the system are in the interest of all country groups;

(d) In the absence of consensus at the multilateral level, cooperation at the regional or plurilateral level should be encouraged, with a view to acting as a building block for the multilateral trading system. For example, regulations in regional trade agreements should be based on international standards to the extent possible and plurilateral agreements should be open to accession. New partnerships may be explored;

(e) UNCTAD supports member States in reaching consensus on issues of concern related to trade and development, providing space for developed and developing

[26] UNCTAD, 2017, *Information Economy Report: Digitalization, Trade and Development* (United Nations publication, sales No. E.17.II.D.8, New York and Geneva).

[27] UNCTAD, 2018, [UNCTAD] eTrade for all celebrates first year with a bang, 23 April, available at http://unctad.org/en/pages/newsdetails.aspx?OriginalVersionID=1738.

countries to come together with other stakeholders to address key challenges without the formation of binding rules. This forum may be more effectively used to address current challenges. Further, UNCTAD research has emphasized that the benefits from trade are not automatic and are not necessarily inclusive without complementary measures. UNCTAD will strengthen its efforts, guided by member States, to ensure informed debate and provide policy options supporting inclusive sustainable development.